

**REPRESENTATIVE TOWN MEETING
TOWN OF DARIEN, CONNECTICUT
FINANCE & BUDGET COMMITTEE
“DRAFT”**

Minutes of a Meeting Held on January 22, 2013

On January 22, 2013, a meeting of the RTM Finance & Budget Committee was held in room #119 at the Darien Town Hall with eleven of fifteen members present.

Present were:

Bill Ball
John Boulton
Rob Cardone
Mari Lu Cleary
Jack Davis
Werner Domittner
Terry Duffy
Bruce Orr
Deb Ritchie
Anita Rycenga
Marc Thorne

Absent: Kip Hall, Kirk Hoffman, Jim Palen, Reilly Tierney

Audience: RTM Moderator Mrs. Sarah Seelye

Members attended the BOE meeting in the BOE meeting room at Town Hall at 7:30 p.m. BOE Chairperson Betsy Hagerty-Ross invited RTM F&B Chairman Bruce Orr to speak and Mr. Orr began by thanking the BOE for inviting our comments. Attached as an exhibit to these minutes is a summary of Mr. Orr's commentary. Mr. Orr then gave the floor to Jack Davis the Vice Chairman of the BOE budget review sub-committee of the RTM F&B committee. Attached as an exhibit to these minutes are Mr. Davis's comments.

The F&B meeting then moved to room 119 and was called to order at 8:14 p.m. by Mr. Orr.

The agenda was unanimously approved.

General overview of the upcoming budget meetings was given by Mr. Orr. Jan. 28 kicks off the BOS series of budget review meetings. F&B BOS budget review sub-committee members are encouraged to attend as many of these meetings as is possible.

Mr. Orr continued by reviewing the agendas for the upcoming BOE budget review meetings encouraging attendance in particular to the following:

2/12/13 BOE votes on budget modifications
3/5/13 BOE budget submitted to BOF

4/4/13 Working session to include significant dialogue

4/9/13 Preliminary vote on budget

Marc Thorne pointed out that the tour of schools scheduled for 3/23/13 is very informative and if any committee members have never done so it is a good experience. The BOF and BOE members are on the bus and it is a good opportunity for general discussion.

Mr. Thorne continued by commenting on the legal requirement of the BOS and BOE to publish their budgets in the local newspapers. BOE provides a good presentation but BOS budget presentation lacks totals and is generally mediocre. He encourages the RTM F&B Budget Review committee members to give this some attention. Mr. Orr said he would follow up with Mr. Kilduff.

Mr. Davis was encouraged to get a bullet point summary of questions he covered in his presentation to BOE to BOE chair for responses.

Terry Duffy asked if we could have a joint meeting with BOE and BOF like we did last year when teacher's contract was reviewed. Mr. Orr was open to it but suggested we wait to see what develops, what questions arise and consider at a later point in time.

General concerns about the BOE budget that came up in discussions were:

- *Unidentified costs associated with new school security initiatives
- *Cost of new generators and the need for a Town plan prior to committing
- *Careful study of the energy program initiative to insure a cost effective outcome
- *General need for prudent budgeting considering the fragile economic recovery and the Town wide property reassessment in 2013.

Mr. Orr expects that we will receive the spreadsheets that summarize originally proposed budget, modifications and revised. He also mentioned that BOE Chair gave the RTM members a nice nod for attending many of the BOE budget meetings and thanked members for doing so.

RTM Moderator Mrs. Seelye was in the audience and said budget books will be made available to all on F&B committee and if any more required the Town clerk has a sign-up sheet.

The 11/26/12 Minutes were unanimously approved with Mrs. Cleary making the motion and Mr. Domittner's second.

The meeting was adjourned at approximately 9:10 p.m.

Dated: Jan. 24, 2013

Respectfully submitted,

Anita M. Rycenga

Clerk

RTM Finance & Budget Committee

F&B Comments on Superintendent's Proposed Budget
2013/2014

Opening Remarks

Thanks for this annual opportunity to comment on the proposed budget for 2013/2014. I'll turn this over to Mr. Davis in a couple of minutes for some specific line item comments; I thought it would be prudent to provide the Board with some general remarks.

While the proposed increase of 4.07%, as compared to recent proposed budgets in the 6% to 8% range, appears to be more reasonable and thoughtful, a high level analysis of the key budget drivers may provide the Board with some insights that could yield additional savings.

As we all know, personnel costs represent the largest portion of the budget – in the range of 65% of all expenditures. – this number rises to close to 80% when one includes health insurance and other mandated benefits.

Also as we all know, the 2013/2014 budget year is the second year of a three teacher's contract, that calls for a half step increase that was forecast to be an increase of 2.02% - assuming the teacher seniority mix of the 2012/2013 had remained constant.

Please reference page 20 in your budget books... If that staffing mix had remained constant – it did not; the 2012/2013 mix resulted in an overall younger and lower cost staff profile – and one applies the 2.02% increase to the 2012/2013 estimated year end personnel costs, that would yield a dollar increase of \$1.1 million. If one now “normalizes” the current proposed budget by adding back in the Special Ed Personnel transfers to various Operating accounts, the dollar increase, including one net additional FTE, would be an \$882 k increase or 1.5%, which reflects the current staffing seniority mix.

Taking a slightly longer term view – like into next year – when the teacher's contract calls for a full step jump to a forecast 3.36% increase, this would cause personnel costs to rise \$1.9 million from the normalized 2013/2014 proposed personnel budget... that's a big number that we are contractually obligated to provide.

Given the relatively modest Personnel cost increases for the current proposed budget of 1.5%, which is the primary cost driver; we encourage the Board to scrutinize all the Operating and Fixed expenses in order to bring the overall increase down to a level that reflects the current enrollment forecasts and eliminates any discretionary spending that are “nice to have” but are not central or critical to delivering a quality education program. Operating expenses, even after adjusting for the \$563 k Special Ed transfer from Personnel, are up a whopping 8.2% over the year end estimate.

Moderating the year over year increases in the budget will not only be more palatable to our constituents – the tax payers – but will also provide us with a lower baseline for the 2014/2015 budget year, when we will have to absorb a significant personnel cost increases.

Bruce G. Orr
Jan. 22, 2013

RTM Finance & Budget Committee

Comments for 2013/2014

Comments and Questions to the Darien Board of Education

January 22, 2013

Note – Items in (brackets) are there for further explanation but will not be read during the meeting.

The RTM Finance & Budget Committee would like to thank the BOE for this opportunity to present our preliminary observations and questions on the Administration's proposed 2013/2014 education budget. We recognize our presentation is prior to the BOE deliberations that start tonight. Our annual disclaimer – our comments reflect the considered views of several members on this budget. Not every member may agree with every comment as our Committee did not take a formal vote on each item. Some of our questions are solely presented to be thought provoking. We are not asking for answers tonight and we will identify to the BOE Chair where a formal response is requested. Before we start, the RTM Finance & Budget Committee would like to recognize and thank former BOE members George Reilly and Amy Bell for their service to our community and welcome Sarah Zuro and Katie Stein into the board.

The RTM F&B committee always looks beyond the current year when evaluating a proposed budget. The 2014/15 fiscal year will have the full step in the teachers' contract; a new Administrator contract; potentially a new state mandated teacher evaluation process; the potential for significant new enrollment as both Kensett and Heights will be further developed and the real estate market looks to recover; the potential need to relocate the ELP program; future security school security measures and an energy initiative that is currently being vetted by the BOE. Some of these can be quantified today, others remain significant unknowns. Our comments reflect this prospective view, a reflection on prior year comments, in addition to the current proposed budget.

One comment over the last three years we believe continues to be relevant – perhaps this year more than most. That comment is that the Administration created an excellent plan to integrate technology into the classroom experience; we believe there is a need to develop, communicate and implement a district-wide plan to integrate technology into the management of the district.

When the district first introduced the education technology plan, the Administration presented an umbrella strategy – even though the initiatives went across many disciplines and RCs. The same is requested for the integration of technology into the management of the district. We recognize that several district goals and objective have management utilization of technology interspersed within the goal. However, these are not explicitly tied to an umbrella plan or a stated and communicated strategic vision.

Many initiatives discussed or contemplated this year could appear on the surface as standalone without being connected to this strategic vision. Examples include several aspects of the energy initiative; security initiatives; the elementary school technology stipend, online reports, furniture, equipment, technology and uniform replacements to name a few. We further recognize that similar to the education technology umbrella plan, the initiatives go across many disciplines and RCs. However, we believe that there should be a single document that ties this together, adds context, explains the integration of disciplines and has specific actions to ensure this strategic approach is evolving.

Consistent with this theme, we believe the old adage “things that get measured; get managed.” We do believe the Administration is adapting technology to better manage our

district, but if challenged to create an umbrella plan for managing the district, additional initiatives might be identified as both necessary and cost effective.

- Can the BOE further discuss this comment at a future RTM F&B meeting during the budget process?
- What are the thoughts of the district to hire a “data management” position? F&B views this position as a fundamental need to understanding and managing the district’s information needs and data requirements. (This item was mentioned in the prior year and F&B is willing to go to the BOF to assist in funding this position and improvement in management information systems that assist in business decisions that better forecast and manage costs.)

Some general comments:

- Healthcare expense – Are both current and retiree healthcare costs are included in the budget line item. If so, can the Administration provide a split in healthcare costs for non-teaching employees included in the budget line item for the current and prior years? The BOE is required to accrue for future retiree healthcare costs. We suggest that this be included in the appendix of the budget in future years (this item was also requested in our prior year comments.)
- “Medical Loss Ratio” Rebate – Last year the District received a “Medical Loss Ratio” rebate from its healthcare provider as required by the Patient Protection and Affordable Care Act. Can the BOE request an estimate for the 2013/14 budget year and record an offset to expense for some portion of the anticipated rebate? In addition, would the Administration consider establishing a separate “contra expense” line item in the financials to track future “Medical Loss Ratio” rebates?
- Pay to Play – We understand that “Pay to Play” (athletics and every other student activity) was intended to be a temporary fix and that school parents contribute funds above and beyond the \$100 fee. There are mixed feeling within the committee on “Pay to Play.” Some agree with the Administration that the fee should be eliminated. Among those who would prefer waiting a year, some members agree the fee should be eliminated in the future. As this is a compilation of thoughts, several of our committee members requested that based upon the financial uncertainty in the 2014/15 budget previously discussed, could the BOE defer elimination of this fee until the 2014/15 budget is presented?
- Equipment, Uniform, Furniture and Technology replacement schedules –We believe the above schedules should be part of the BOE budget presentation on an annual basis with year of purchase and estimated useful life for asset classes. F&B supports the equipment replacement in the proposed budget. We encourage a rolling schedule for replacements. In the past F&B has discouraged mass purchases of computers as it does not allow for timely reaction to changes in technology. (This year it is tablets versus desk top computers purchased about 2 years ago.) However, the purchase of desks and chairs should be made as this has been deferred for a number of years. Can F&B have a copy of the above replacement schedules? Can the desk and chair analysis include the number of current pieces in each school as well as the total number of pieces if each classroom was at full capacity, as requested during the budget presentation?
- Assistant Principals - During the F&B budget discussions with the BOE and Administration, can the Administration provide more information on the evolving roles and responsibilities of Assistant Principals at the elementary schools?
- Elementary School Stipends - We understand that the BOE will be having further discussion on the elementary school technology stipend. There is a concern that prior to formalizing a stipend that may subsequently be added to future teacher union contracts. If

approved by the BOE, we recommend the stipend be temporary for this year.

Accordingly, can the BOE make this stipend temporary for at least one cycle when expectations versus actual accomplishment would be available?

- Technology purchases – F&B would like to have clarification of this area during our budget review process with the BOE and Administration, in general. One of the specific areas of discussion was centered on using surveyed information on evaluating tablet uses. F&B would like to suggest, that in addition to the surveyed information, that each tablet have computer programs that track usage to determine time spent on various sites/applications. Can the technology group determine the cost of such software and include in the total requested budget, if the Administration agrees with this concept? In addition, does the district utilize such software for other computers throughout the district?
 - Budget Control – F&B understands the current difficulty in projecting enrollment prior to the final completion of the budget. Several members of our committee have expressed concern that this number appears high. What is the historic number of teachers needed to be hired by DHS, MMS and elementary schools over the last 5 years compared to the projected enrollment in March versus the enrollment in August?
 - Town Audit – Can F&B receive a copy of the detailed 2003-2012 staffing comparison requested by the BOF?
 - SPED – As discussed during the budget presentation, can the Administration provide F&B with a copy of total SPED students in the elementary schools (in total), MMS and DHS?
 - SPED – As discussed during the budget presentation, can the BOE consider modifying the additions to the out-of-district tuition by an offset to services no longer required to be provided? We understand that not all out-of-district placements have current services provided prior to the need being identified and that should be taken into consideration by the BOE and Administration. According to independent research, out-of-district tuition increases the cost to a school district by 40 to 60%.
 - SPED Federal Grants – We believe that the Federal grants on page 144 should include an estimate for these grants in the 2013/14 year. Each year a grant is issued based upon the number of qualifying SPED student as of September 1st of the new school year. This has budget implications should expected grants not be received?
 - Grants – Are there any grants received in the 2012/13 school year that are not expected to be received in the 2013/14 school year? Are there new grants expected that were not received in the current fiscal year?
 - ELP – Annually there is a discussion on ELP tuition. F&B is suggesting that a formula be developed using three to four Darien pre-schools current year tuition times a pre-determined percentage prior to the budget discussion. F&B understands that any current year outside pre-school tuition will always have a one year lag as the district sets its ELP fee prior to the completion of the budget cycle while the pre-school set their next school year rate on August 1st – approximately three months after the budget is approved by the RTM. While ELP is a desirable program, modifying fees after a child's acceptance is not good business practice. Could the BOE / Administration consider such a proposal?
- Capital Budget:
- Overall Capital Budget –It is our understanding that several capital budget items were removed from the prior year's plan as they are included in the energy proposal. We strongly suggest that these amounts be put back into the Capital Plan until such time that the new energy initiative is approved by the BOE.

- Energy Initiative – This is a complex initiative. F&B strongly recommends that the BOE and Administration have an information session on this initiative at least on session prior to requesting approval of the funding. The initial general feeling within F&B is that initiatives that save costs or improve operating efficiencies should be pursued.
- Oil Tank Replacement – F&B is generally in favor of these replacements. The item had been identified over one year ago and was awaiting final assessment. We remind the BOE to bring this to the RTM as soon as possible.
- Generator replacement – At this time, F&B cannot express an opinion on the purchase of generators for DHS and MMS. While our comments are being presented at a BOE meeting, answers need to be presented from groups other than the BOE. It is our understanding that the BOS will request a generator for town hall. The DHS and MMS generators are requested for the purpose of providing enhanced town shelter capability. We all understand that:
 - o The town hall facility cannot qualify as a shelter as it fails to meet certain criteria.
 - o MMS has been used as a shelter when DHS could not be reached safely.
 - o MMS has not formally, to our knowledge, been identified as a shelter.
 - o The upgrade to the DHS generator is based upon identification of improvement by the town.
 - o The schools provide a service to the town and the BOE is not driving this request. Therefore, we believe the town needs to revise or update its overall emergency management plan and set the priorities with respect to these generators. This plan should specifically state:
 - o What facility is the primary shelter and what are the town's specific requirements?
 - o Does DHS currently meets those requirements and if not what upgrades/improvements are required?
 - o is there a need for a backup shelter and if so, is MMS that shelter and what are the towns its specific needs at MMS
 - o What are the other facilities and their stated purpose?
 - o What are requirements for managing the town including town hall, the police station and our volunteer firehouses?
 - o What is the timeframe of the town's emergency management group for implementing the updated/modified town plan?

We are requesting the overall emergency management plan establish the capital priorities and an overview of this plan be presented to the RTM as part of any capital budget request for generators. In addition, we concur with the position of the BOE, that ongoing expenses related to the maintenance of these generators be shared with the BOS.

- Generator replacement – A statement was made that if the Hindley gas valves were damaged due to outage, it would require one month to replace. F&B would like clarification of this statement. If it is a delivery of the valves at a cost of \$30,000 to \$50,000, we strongly recommend that the BOE/Administration consider purchasing one valve this year and store it to ensure at least one boiler is operational. Can the BOE provide clarification on the Hindley boiler nozzles?
- Generator replacement ongoing maintenance costs – If the town has identified the need to upgrade the DHS generator and potentially add MMS as a second shelter, is the town BOS budget prepared to share the cost to maintain and repair these generators?

- Security – F&B would support certain discussion by the BOE on the security measures safeguarding our schools to be held in Executive session. We concur that some security measures and safeguards should not be common knowledge to everyone.
- Mandated teacher evaluations – The educational bill that passed the CT legislature last session may have significant financial and education impact to our district as high performing schools have not been afforded waivers opportunities. F&B appreciates the BOE's close monitoring of this state initiative. Could the BOE put a placeholder in the capital budget or elsewhere to identify this potential future expense?

Thank you for your time.